

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB1141

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Morgan

3. Committee: Appropriations

4. Title: **Composite index of local ability-to-pay; cap**

5. Summary: Requires the General Assembly to modify the current calculation of composite index of local ability to pay that determines each locality's ability-to-pay for its share of providing an educational program meeting the prescribed Standards of Quality (SOQ) to incorporate within the current indices of wealth the indicated weighting: (i) true values of real estate and public service corporations, at 30 percent; (ii) adjusted gross income (AGI) at 40 percent; and (iii) the sales subject to the state general sales and use tax, at 30 percent.

The current composite index of local ability-to-pay provides for the true value of real estate weighted at 50 percent, with adjusted gross income weighted at 40 percent, and taxable retail sales weighted at 10 percent, as indicators of local wealth.

6. Fiscal Impact Estimates: Preliminary. See item 8.

Expenditure Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|----------------|--------------|
| 2011 | \$11,800,000 | General Fund |
| 2012 | \$4,800,000 | General Fund |

7. Budget Amendment Necessary: Yes, Item 132 - HB/SB 30.

8. Fiscal Implications: This legislation proposes the formula used to determine a locality's ability to pay for its share of an educational program be modified using different percentages of true values of real estate, AGI, and sales and use tax.

The bill does not indicate there are modifications to other factors used in calculating the composite index formula, such as: the weighting of wealth per pupil vs. wealth per capita, the current 0.8000 cap, the nonresident adjustment, nor the consolidation provisions. Keeping these variables consistent with the current methodology, the Department of Education estimates the state share of costs will increase by \$11.8 million in FY 2011 and \$4.8 million in FY 2012 to implement this bill.

9. Specific Agency or Political Subdivisions Affected: Board of Education and local school divisions.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/10/2010 dpbsbj

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